



2008 Annual Report



A Year At A Glance

- Travelled over 3.1 million scheduled miles, serving 283 Saskatchewan communities.
- New passenger and express terminal in Regina opened on November 4, 2008.
- All coaches fueling in Regina and Saskatoon began operating on a two percent canola biodiesel blend.
- Expanded services to the communities of La Loche, Buffalo Narrows, Île-à-la-Crosse, Beauval and Green Lake. This is the Saskatchewan Transportation Company's (STC) most significant service expansion in 30 years.
- Reduced operating subsidy requirement by \$0.8 million to \$6.2 million, from the approved \$7.0 million.
- Received a passenger satisfaction rating of 89 percent.
- Contributed \$18 million to Saskatchewan's economy with 89 percent of purchases made in Saskatchewan.
- Carried 270,002 passengers.
- Canada's bus industry was impacted by an unprecedented tragic event on a bus travelling in Manitoba. The industry, including STC, responded with new security measures, but experienced reductions in bus ridership.
- The average price of a ticket in Saskatchewan increased by 96 cents (3.3 percent).
- Total revenues were \$16.3 million and expenditures were \$24.7 million.

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Corporate Mandate

The Saskatchewan
Transportation Company
(STC) is a provincial coach
company which provides
SAFE, AFFORDABLE and
ACCESSIBLE bus passenger
and freight services to
Saskatchewan communities.



Message from the Minister

It continues to be an exciting, rewarding time for CIC and its 12 subsidiary Crown corporations. Three Crowns were recognized for excellence in diversity by *Maclean's* magazine. In addition, six Crowns were among Saskatchewan's Top 15 Employers for 2009, as selected by the editors of *Canada's Top 100 Employers*. I take pride in the fact that our Crowns' workforces reflect our communities and are recognized as exceptional places to work.

Our transportation Crown, STC, improved access for passenger bus and freight services for all Saskatchewan residents and businesses. Travelling more than 3.1 million miles in 2008, the Company opened a new state-of-the-art terminal in Regina, improved on-bus security and connected five additional communities in the north.

My priority for the future remains the same: to ensure that Saskatchewan's Crown corporations are publicly owned and provide high quality services at a low cost. This is a promise our Government made to the people of Saskatchewan, and it is a promise we will keep. A current theme in the Crown sector that I expect to continue is growth. By that I mean the changes required within the Crowns to sustain and support Saskatchewan's economic momentum. These changes range from investing in new infrastructure to expanding various services in line with the demand from both our residential and business communities.

Our new Saskatchewan First investment policy for the Crowns also reflects this theme. The policy recognizes that our growing economy presents increasing opportunity for investing in our own province. We will continue to move in that direction.

As you will see in this report, STC continues to demonstrate its long-term commitment to Saskatchewan by providing essential passenger and freight services to more than 280 communities. Furthermore, bus transportation is a cost-effective means of contributing to our Government's goal of reducing greenhouse gas emissions in our province. Through STC, we will be ready to meet the challenges and opportunities of the coming years.

I am pleased to present STC's 2008 Annual Report.

Letter of Transmittal

Regina, Saskatchewan
March 31, 2009

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of
Saskatchewan

Dear Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2008, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Company's auditors.

I have the honour to be, Sir,
Your obedient servant,

Honourable Ken Cheveldayoff
Minister of Crown Corporations

Honourable Ken Cheveldayoff
Minister of Crown Corporations

Message from the Chair



There is considerable diversity within the Saskatchewan Transportation Company (STC) Board of Directors. This contributes in a very positive way to exercising our role in establishing strategic direction for the Company and brings new meaning to bus travel in Saskatchewan.

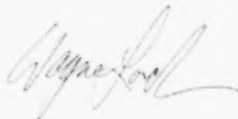
Through our initial strategic planning session with STC's executive this year, it became readily apparent that building ridership remains the most important challenge and opportunity for the Company. Although the 15 year annual reduction in ridership had modestly reversed beginning in 2004, we all agreed to pursue a growth in ridership as our most important strategic initiative.

Through innovation, we intend to grow ridership by modernizing our operations to better meet the needs of our customers. STC coaches have the capacity to accommodate significantly increased passenger business on most of its 29 routes, and therefore, numerous options for enhancing the attractiveness and image of bus travel were identified and will be implemented in 2009.

Going forward we will focus on the provision of additional amenities in buses and in Company-owned terminals, as well as launch new discounted seat sales starting in 2009. There are also opportunities to capitalize on the growing environmental consciousness in Saskatchewan. Bus travel is the most environmentally efficient form of public transportation. Greenhouse gas emissions are reduced significantly when people choose bus travel over private vehicles. By offering affordable fares, as well as by taking advantage of available synergies within the province, STC will embark on helping Saskatchewan people go green.

Beginning in the fall of 2008, STC began using a two percent canola biodiesel blend in all buses fuelling in Saskatoon and Regina (accounting for over 90 percent of the fleet). This new biodiesel initiative provided a unique opportunity for STC to support a provincial renewable energy industry. STC will remain committed to contributing to Saskatchewan's economy through its "Buy Saskatchewan" policy.

A key ingredient to achieving our vision is our people. On behalf of the STC Board of Directors, I extend both gratitude and appreciation to all STC employees for their hard work and dedication to customer service. They truly create a positive experience for our customers. I also thank Saskatchewan residents for their support and utilization of STC's passenger and parcel delivery services.



Wayne Lorch
Chair of the 2008 Board of Directors

Message from the President



2008 was a year of significant accomplishments.

The opening of the new passenger, parcel express and head office facility in Regina was a 2008 highlight. The new facility is attractive, inviting, and secure for customers; it is environmentally friendly; and it is functional and motivating for STC employees. Visitors entering Saskatchewan's capital city by bus now experience a more positive impression of the city and our province.

Another highlight was our new service between Prince Albert and La Loche. STC entered into a contract with a private operator from the area to provide the service on behalf of the Company, and had arranged for businesses in the local communities to serve as STC agents. Although this new route is expected to require significant subsidization, the service is being offered in recognition of the relative isolation of the northern communities of Beauval, Île-à-la Crosse, Buffalo Narrows, Green Lake and La Loche.

In the first half of 2008, passenger numbers were strengthening and had grown by four percent. The tragic incident that occurred on a Greyhound bus travelling through Manitoba in July 2008 created significant concern among bus passengers and STC staff. A review of security on STC's buses and terminals was undertaken, and new measures were announced. In the fall months of 2008, subsequent to the incident, passenger numbers fell rather sharply, bringing passenger numbers for the year as a whole down by one percent. In spite of the new security measures adopted by the Company, there may be residual anxieties that will continue to present challenges to the growth of ridership into the future.

One of the key objectives of STC management is to keep costs as low as possible and to minimize the amount of subsidy required for Company operations. The need for subsidization is primarily driven by the mandate of the Company to provide services to communities where population densities are low and passenger and freight volumes are correspondingly limited. As observed by

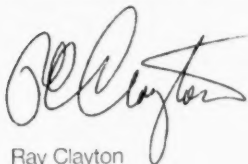
Proteus Transportation Enterprises Inc., a Canadian consulting firm on public transportation, "...the size of this STC network relative to the service basin population has no parallel within the Canadian intercity bus industry."

Subsidization for bus services is not unique to Saskatchewan. Most of the intercity bus subsidization in Canada is "cross-subsidization" where the profits from routes in densely-populated areas are used to offset the losses in routes in the sparsely-populated areas. By Canada-wide standards, all of Saskatchewan's routes, even along the Regina-Saskatoon-Prince Albert corridor, are in low population density areas. While the routes along this corridor recover all of their costs and return a modest profit, the majority of STC's routes are in areas where passenger numbers and freight volumes are not sufficient to recover all costs.

Our value to the province is not measured only by the number of passengers we serve and the parcels that we carry, but also lies in our ability to reduce greenhouse gas emissions. One bus can offset the emissions of up to fifty or more private vehicles that would otherwise be travelling on our streets and roads. Hence, the subsidies paid to STC and to the public transit systems in our larger cities are also an investment in the health of our environment.

Growing ridership is an ongoing objective of utmost importance for STC. For the most part, STC's coaches and facilities are not fully utilized, meaning that passenger growth will result in increased revenues with relatively little added cost. STC is implementing deep discount seat sales on a trial basis in 2009, and adding a number of amenities to as many buses as possible. The most significant of these on-bus amenities is the provision of more leg room in all new full size coaches. This was accomplished by removing one row of seats and adjusting the distance between the remaining seats. Newer full-size buses will also feature AC power outlets and fold-down table trays on selected seats to facilitate our passengers who use laptop computers or other electronic devices while on route. With enhanced service provided by SaskTel, STC also plans to incorporate Wi-Fi internet access along its Regina to Saskatoon corridor. These initiatives, along with the continuing commitment of STC employees who deliver excellence in customer service, will bode well for the overall performance of the Company into the future.

In 2008, surveys revealed that 89 percent of our passengers rate our services as good or excellent. Building on this base, I am confident in the ability of the STC team to address the challenges that come our way by being true to our mission, which is to provide convenient, affordable, safe, courteous and reliable passenger and parcel express service to Saskatchewan communities.



Ray Clayton
President and CEO

2008 Corporate Profile

- Established in 1946
- Operates 29 bus routes, traveling 3.1 million scheduled miles per year
- Serves 283 communities in Saskatchewan
- Has 194 agents operating in Saskatchewan
- Owns and operates passenger and parcel express terminals in Regina, Saskatoon, and Prince Albert
- Owns and operates maintenance service garages in Regina and Saskatoon
- Maintains its head office in Regina
- Owns and operates 45 coaches varying in size from 15 passenger vans to full size 55 seat coaches. 20 percent of the fleet is wheelchair accessible
- Operates 24 freight trailers
- Employed 243 people (206 full-time, 29 part-time and eight temporary) as at December 31, 2008. A total of 206 are in-scope employees represented by the Amalgamated Transit Union, Local 1374
- Annual payroll, excluding benefits, totaled \$11.7 million
- Total assets of \$45.6 million (2007 – \$39.0 million)
- Total expenses of \$24.7 million (2007 – \$22.7 million) and revenues of \$16.3 million (2007 – \$16.1 million)
- Capital expenditures of \$9.1 million (2007 – \$16.3 million)

Mission Statement

To provide Saskatchewan residents with **CONVENIENT, AFFORDABLE, SAFE, COURTEOUS and RELIABLE** passenger and freight transportation services.

Vision Statement

STC is the best passenger and freight transportation company in Canada.

Corporate Values

All business activities are conducted in a manner that is:

Honest
Dependable
Innovative
Respectful
Socially Responsible

Divisions of STC

Customer Services and Operations

The Customer Services and Operations division is responsible for passenger services, parcel express services and maintenance services. The division includes the following components:

Passenger Services

Passenger services is responsible for ensuring passengers enjoy safe and reliable transportation. It operates the motor coaches, issuing of tickets, scheduling, maintenance of tariffs, dispatching of buses and drivers, as well as managing the network of 194 agencies and the maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel express services is responsible for the freight and baggage handling for all STC coaches and our connecting carriers. Door to door pick-up and delivery services are also available in Regina, Saskatoon, Prince Albert and in some designated rural agencies.

Maintenance Services

Maintenance services' primary responsibility is to maintain, clean and provide storage for all STC vehicles. It is also responsible for the procurement of all corporate vehicles. These duties are performed in the two service garages in Saskatoon and Regina. This area also provides maintenance, cleaning services and storage to coaches of other carriers on a contract basis. When required, it is also responsible for on-the-road servicing of STC coaches.

Finance

The Finance division is responsible for the collection of STC's customer revenues and supplier payments. The division ensures STC is fiscally responsible and accountable to the people of Saskatchewan by managing financial reporting, budgeting and forecasting, risk compliance and insurance, and financial internal controls. It has sub-divisions for billing, accounts receivable and collections, accounts payable, agency reporting, and reclaims (billing and paying connecting carriers, such as Greyhound, for services rendered).

Information Technology

The Information Technology division is responsible for the procurement of all corporate hardware and software. It ensures the reliability and integrity of data, electronic communications, software applications and web services. The division also provides technical support to employees, automated agencies and to some of our shipping customers throughout the province as well.

Human Resources and Labour Relations

The Human Resources and Labour Relations division provides leadership and strategic human resource advice and support to

ensure STC has a strong and committed workforce to deliver its services to the people of Saskatchewan. The division delivers human resource services, including recruitment and selection, labour relations, human resource policy and planning, learning and development, organizational development and design, payroll and benefits administration, occupational health and safety, diversity and rehabilitation/return to work programs. It also plays a key role in representing the employer in collective bargaining with the Amalgamated Transit Union, Local 1374 and contributing to a positive employee-employer relationship.

Strategic Planning and Communications

The Strategic Planning and Communications division is responsible for forward planning and corporate communications. It establishes STC's strategic business plans and reports on performance and governance compliance. It is responsible for promotional advertising, corporate branding, public relations, and for ensuring effective communications between the Company and its shareholder (CIC), the media and the Government of Saskatchewan. The division also has responsibility for privacy of information and requests under freedom of information legislation.



Commitment to Customers

Providing Saskatchewan residents with convenient, affordable, safe, courteous and reliable passenger and freight transportation services continues to guide STC in both its day-to-day operations and in its strategic planning process.

Passengers

STC offers 14 valuable discount programs to passengers. For instance, our medical pass is available to infirm persons requiring frequent travel for medical reasons and allows unlimited travel for 30 days over a specified STC travel corridor. We also offer 30 percent discounts for those aged 65 years and older when they present their free Senior Gold WAY TO GO pass. Almost 4,000 free Senior Gold WAY TO GO passes were issued in 2008.

As well as ensuring affordability, STC is committed to enhancing our passengers' travel experience by maintaining a focus on innovation, comfort and safety. We do this by seeking out ways to continually enhance our services and deliver good value. Most of these



enhancements are based on the feedback received directly from our passengers, through both direct

passenger interaction in our terminals and comments via a semi-annual on-bus survey. These comments guided our customer service improvements in 2008, and resulted in the delivery of the following projects:

- Improved leg room between seats on some buses;
- A new, functional, comfortable, accessible and safe terminal in Regina;
- Enhanced corporate visibility and appearance. Clad in professional uniforms, front line employees are now easily recognizable to passengers seeking assistance;
- Improved our website's schedule and fare finder to be more user friendly;
- Replaced worn seating in the Saskatoon terminal; and
- Tested television entertainment in partnership with SCN and Global TV on buses between December 2007 and February 2008. Passenger feedback received will guide further improvements to on-bus entertainment in 2009.



STC's commitment to its customers is visible in its discount programs – from medical passes to free Senior Gold WAY TO GO passes; our vision highlights a dedication to customer service.

We've made multiple improvements to STC's security measures and procedures. As of December 1, 2008, passengers riding with STC are encouraged to keep carry-on baggage to a minimum and to stow most luggage in the lower baggage compartment. Drivers have the authority to restrict carry-on baggage and to inspect passengers and their carry-on baggage at their discretion. Existing security personnel at STC's busiest terminals are also available to assist drivers with boarding inspections as required.

In addition, a number of new on-bus security features were announced and installation of the following began:

- interior and exterior cameras;
- improved corridor lighting and larger rear-view mirrors to enhance drivers' visibility of passenger compartments;
- larger plexi-glass shields to physically protect drivers and allow them time to address emergencies; and
- global positioning devices with emergency alert capability.

How do our passengers currently rate our services?

89 percent of passengers who responded to our 2008 surveys, rated our performance as either good or excellent. While it is gratifying

for STC to be assessed so positively, we will continue to develop ways to improve the quality of our services and keep the lines of communications open.

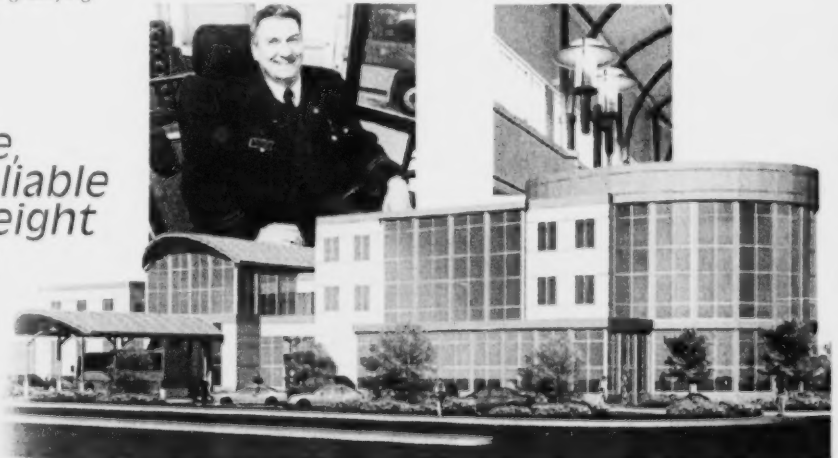
Parcel Express Customers

From delivering gifts for special occasions to equipment during farm seeding and harvest, STC's parcel express operations is, in many rural communities throughout Saskatchewan, the primary carrier of parcels and freight for personal, business, medical and farm usage.

Through its network of terminals, 194 agents and interconnecting arrangements with other carriers, STC delivers throughout the province and connects to destinations across North America. This parcel express business operates in a fully-competitive environment with other bus services, trucking firms and courier services.

In addition to providing overnight depot-to-depot service, through contractual arrangements with private companies, STC, as well as some of its agencies, provide our customers with door-to-door pick-up and delivery service in major centres. STC is also one of the very few delivery businesses located in the province that provides weekend service to many points.

*Convenient,
affordable, safe,
courteous and reliable
passenger and freight
transportation
services.*



The Company is particularly well-equipped for the transportation of parcels in the one-pound to 40-pound range, which makes up approximately 80 percent of its freight business.

STC's greatest strength in operating this business is its synergies with its passenger service operations. By adding trailers behind our buses, this has enhanced the delivery services for our customers.

2008 STC Passenger Discounts and Programs

Program/Discount Name Program Details

Seniors' Discount	Adults over the age of 60 receive 10% off regular adult fares.
Free Fare	Children under 4 years old ride for free with purchase of 1 adult ticket.
Child Fare	
Half Fare	Children between the ages of 5 and 11 years ride for half price with purchase of 1 adult ticket.
Students' Discount	Present a valid student ID and receive 10% off regular fares. Applies to all Primary, Secondary, University or College students.
Medical Pass	For \$53.95, this pass provides unlimited travel on a specified corridor for a period of 30 days for physician-prescribed treatments. Must present documentation signed by a physician.
Adult	Purchase a pass for \$50 and receive a 20% discount off the regular ticket price each time you ride. Valid for one year.
Student	Purchase a pass for \$25 and receive a 20% discount off our regular student fare (for a total discount of 30%). Valid for one year.
"Way to Go"	
Senior	Adults over the age of 60 can purchase a pass for \$25 and receive a 20% discount off our regular senior fare (for a total discount of 30%). Valid for one year.
Seniors Gold Plan	Adults over the age of 65 years receive an additional 20% discount off the regular senior fare (for a total discount of 30%). Pass is free!
Blind/Disabled Person's Escort Program	Blind/Disabled travellers who require an escort or companion animal can travel together on one ticket purchased at our regular (adult) price.
Group/Bulk Discounts	Any person or group purchasing ten or more regular fare tickets receives a 10% discount.
Midweek Return Discount	Purchase a round-trip on Tuesdays, Wednesdays or Thursdays and you are eligible for a 20% discount off your regular return fare.
Compassionate Fares	Persons travelling for the funeral of an immediate family member can apply for a 20% rebate off their ticket price.
Summer Youth Excursion Pass	Youth, ages 15 - 25, are eligible to purchase the pass for \$100. The pass allows youth unlimited travel on all STC routes for the summer months.

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Commitment to Employees

Our employees are the heart of our customer service – they are STC.

Whether it's by phone or in person, our ticket agents, express agents and customer service account representatives are committed to delivering high standards of services to our customers.

For decades, STC motor coach operators have maintained a well-deserved reputation for courteous, reliable and safe passenger service. Whether providing safe passage through difficult road conditions, screening items permitted for the passenger compartment, or handling unusual situations, STC drivers have an impressive record.

Behind the scenes, our payroll and accounting clerks, administrative support, dispatch personnel, IT technical analysts, building maintenance, mechanics, finance and human resource personnel, coach cleaners and service attendants support front line employees.

STC wants all of its employees to be successful and motivated, making a valued contribution to both their team and the Company. We are committed to their continuous learning and development, so that together we can provide the best customer solutions and service. Safety training and professional development were areas of

emphasis in 2008. Sessions such as Sask Best Customer Service, First Aid, Cardio-Pulmonary Resuscitation (CPR), Transportation of Dangerous Goods, Defusing Hostility in the Workplace, Forklift Operator Training, and Aboriginal Awareness were all offered. STC also equipped its motor coach operators with new safety training and introduced enhanced security measures in coaches. Employees also participated in International Financial Reporting Standards (IFRS) and Motor Coach Industry (MCI) technical training courses. In total, STC supported 137 employees to further education and enhance skills.

In addition, STC supports its employees who choose to serve the communities they live

The dedication of STC's employees has played an instrumental role in our ability to provide first-rate customer service over the years.



and work in. Through volunteerism, many of our employees dedicate their time to coaching children's sports teams or serving on church and school boards. Others serve on organizations such as the Canadian Youth Business Foundation, the Regina Downtown Business Improvement District, the Canadian Bus Association and the Saskatchewan Construction Panel.

STC is committed to achieving a representative workforce and continues to make progress toward achieving this important goal. In total, 64 percent of new hires in 2008 were members of designated equity groups. We strive to ensure that our work environment is free of harassment and that everyone is treated with dignity and respect.

The dedication of STC's employees has played an instrumental role in our ability to provide first-rate customer service over the years. STC is fortunate in its retention of experienced and knowledgeable employees.

STC's management is privileged to have a good working relationship with its union, the Amalgamated Transit Union, Local 1374, which represents 85 percent of STC's workforce. In and out-of-scope personnel have worked together co-operatively to resolve matters and embrace opportunities. STC believes that strong communication with all employees is required to maintain and enhance positive working relationships. A newly formatted employee newsletter was released in mid-2008 in support of this aim, and other initiatives will follow in 2009.

Overall, STC's employee strategy focuses on building effective communication, achieving a representative workforce, retaining existing talent and supporting involvement in the community.

Commitment to the Communities We Serve

Serving over 280 communities in Saskatchewan, STC offers convenient, affordable, safe, courteous and reliable passenger and freight transportation services to many residents in the province. One passenger described the service STC provides as "a body's life-giving vascular system" connecting our relatively small and well dispersed population, while others have referred to it as an essential service to dozens of small cities and towns. We also believe in exercising our corporate responsibility by supporting the communities we serve in other ways.

STC has established strong relationships with Saskatchewan universities. Over the years, STC has provided sponsorship to help the University of Regina (U of R) and the University of Saskatchewan (U of S) deliver their annual orientation/welcome week programs. This support also provided opportunities to promote STC's youth discount packages directly to students. In 2008, STC was honoured by the U of R on its donor wall located in its Kinesiology Building.

To further enhance its support of Saskatchewan's universities, as well as enrich the lives of Saskatchewan's youth, STC is dedicated to supporting university sports. The Regina Rams, the U of R Cougars and the U of S Huskies all choose STC as their official charter carrier. Each year, we reciprocate by supporting them in their fundraising activities.

STC receives numerous requests from charities, not-for-profit and community organizations requesting in-kind contributions of passenger and/or parcel express services. Since 2000, STC has proudly provided free bus

passes to the Saskatchewan School Safety Patrol Jamboree, helping patrollers across the province to attend conferences. From the Terry Fox Run to the Canadian Cancer Society, the Jingle Bell Run to the Rotary Exchange Program, all have received in-kind support in various forms from STC over the years.

By establishing strong partnerships with our network of 194 agents in Saskatchewan, STC is able to better serve rural communities.

*New northern service
meets needs
and supports
development.*



Agents such as the Craik Co-op and Drake Meats are long-established agents who have been serving their communities for more than 40 years. Agents open their places of business, and sometimes their personal homes, to sell tickets and fill out way-bills for people who require passenger or freight services in their communities. Many agents in smaller communities have relatively low volumes of passenger or freight business, and

their commissions are correspondingly very modest. These agents provide the service, not for financial return, but to bring convenience to their friends, neighbours and community. We are proud of the contributions of these agents.

In 2008, STC spent \$18 million, for a total of 89 percent of its purchases, on Saskatchewan goods and services, thereby contributing to the provincial economy.

Long Service Agencies

Location	Proud STC Agent since...
Craik – Craik Co-op	March 23, 1964
Drake – Kelly Ediger, Drake Meats	December 19, 1966
Margo – Jim Engele, Engele's Service	December 21, 1967
Kindersley – John & Pearl Humeny, Kindersley Bus Depot	March 22, 1977
Bjorkdale – Gwen Betthel, Betthel's Service	October 12, 1977

Commitment to Environmental Stewardship

The very existence of STC's passenger and freight services is environmentally friendly, because of the number of private vehicles that motor coaches displace from highways across the province.

STC is continuing its use of a biodiesel fuel mixture. STC entered into a contract with Milligan Bio-Tech Inc., a private company from Foam Lake, Saskatchewan to supply approximately 36,000 litres of canola biodiesel for use in our fleet. Effective November 6, 2008, all buses fueled in Saskatoon and Regina were operating on this biodiesel blend. By using this renewable fuel source, STC is pleased to support our province's rural agriculture economy.

The new facility in Regina also represents one of the latest steps in STC's drive to be an environmental leader. The new terminal's high energy efficiency standards will help protect the environment as it was designed to the Canadian Building Incentive Program (CBIP) standards. These standards require new buildings to be a minimum 25 percent more energy efficient than the requirements of the Model National Energy Code. This was achieved by the use of high energy efficient boilers, an 80 percent efficient air-to-air heat

exchange system, high performance windows, energy efficient lighting and improved building insulation (thermal) values.

In 2009, STC will undertake further initiatives to increase awareness that bus transportation is a significant contributor to reducing the environmental impact of transportation in Saskatchewan.

*Our environment.
Biodiesel means
an even smaller
footprint.*



Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) provides insight into STC and the environment in which it operates. From a management perspective, it highlights the primary factors that impacted our operations and the financial results of the Company over the past twelve months.

The main sections within this MD&A are:

Industry Overview	16	no parallel within the Canadian intercity bus industry. Proteus adds that even the extensive rural bus service networks operated in Manitoba, Quebec and northern Ontario do not exhibit the same breadth and depth of coverage as our network, relative to their respective population densities.
Risk Assessment	17	
Financial Performance	19	
Operating and Capital Grants	19	
Other Revenue Sources	19	
Financial Reporting	20	In its' report on Estimates of the Full Cost Of Transportation In Canada, Transport Canada reported bus travel to have the lowest social cost (air pollution, greenhouse gas emissions, noise, road congestion and accidents) and financial cost per passenger-km compared to all other modes of transportation.
Passenger Services	21	
Parcel Express Services	22	
Maintenance Services	22	
Property, Plant & Equipment	23	

Industry Overview

STC has the bulk of the intercity bus passenger business in Saskatchewan. Greyhound runs two routes through the province (along the TransCanada Highway and along the Yellowhead Highway). There are also a number of private sector carriers, which have interline and other contractual arrangements with STC, that serve specific areas of the province.

Proteus Transportation Enterprises Inc., a Canadian consulting firm on public transportation, notes that STC is the fourth largest scheduled intercity bus carrier and the second largest bus parcel express operator in Canada, and the size of STC's network, relative to its service base population, has

While the benefits of bus travel are substantial, the bus industry overall faced some unusual circumstances in 2008 with unprecedented high fuel costs and security breaches. Other challenges include: geographically dispersed populations, public concern for bus transportation security, continued preferences for private vehicles, competition with air and rail transportation, growing customer expectations, increased operating costs, difficulty in the recruitment and retention of employees, potential federal deregulation and finally, obtaining a deserving respect as an effective transportation mode. These challenges are further described in the Risk Assessment section that follows.

Risk Assessment

Challenges that directly impacted STC in 2008 are expected to be continuing factors in 2009:

Geographically Dispersed Population

In its "2008 State of the West" report, the Canada West Foundation reported that after the North, Newfoundland and Labrador, Saskatchewan had the smallest number (1.5 persons per square kilometre) of people per square kilometre in Canada in 2007. This report also noted that Saskatchewan had experienced the most significant rural depopulation in Canada with urban areas being the sole source of population growth from 1996 – 2006.

In 2008, STC operated more than 3.1 million miles of scheduled bus service in the province, and provided connections to 283 communities. Frequency of service is currently limited on some routes with low passenger numbers. This provides STC with an opportunity to contain costs, but, in turn, this impacts negatively on the convenience of the service.

Public Confidence in Bus Transportation Security

Security and safety in the bus industry heightened in the wake of a tragedy on a Greyhound bus travelling in Manitoba on July 31, 2008. The impact on the overall Canadian bus transportation industry was immediate, creating anxiety among both employees and passengers. For STC, the incident resulted in passenger numbers sharply

declining by approximately 2,500 passengers or 10.4 percent in the following month compared to August 2007. Passenger numbers in the months following the incident were down marginally in September and October, but dropped again by 10.7 percent and 8.3 percent respectively in November and December.

While new security measures were announced in December 2008, anxiety over security may continue to be a risk faced by STC in the future.

Preference for Private Vehicles

The majority of STC's passengers continue to use our services out of necessity as many do not have access to other modes of transportation. Some have lower incomes and others cannot afford to own, or choose not to operate, a private automobile.

One of the effects of having a strong economy in Saskatchewan is that more people have the financial ability to make large purchases, such as vehicles for private use. According to Statistics Canada, new motor vehicle sales in the province increased by 8.6%, the second highest increase of all provinces in Canada in 2008. In today's fast-paced environment, it is anticipated that most people will continue to prefer the convenience, flexibility and quickness that operating a private vehicle offers.

Competition with Air Transportation

In addition to the private automobile, air service provides alternative transportation between

Saskatchewan's major cities, offering frequent services between Regina and Saskatoon and providing faster travel times along one of STC's profitable routes.

Growing Customer Expectations

Customers are increasingly expressing a preference for immediate and more personalized services.

Increased Operating Costs

Fluctuating fuel prices and rising labour costs will continue to impact the Company.

Recruitment and Retention of Employees

An aging workforce, coupled with increased employment opportunities, provides challenges to STC in both its recruitment and retention initiatives. In 2008, the recruitment and retention of motor coach operators and express service attendants continued to be a challenge. Recruitment for positions requiring professional accounting experience has also been difficult, which compounded the problem of increased workloads to deliver requirements under CEO/CFO certification and in the transition from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS).

Potential Federal Deregulation

There is a potential for federally-initiated deregulation of passenger services. Under a deregulated environment, other operators may choose to enter the marketplace along STC's most profitable routes. Regulation or deregulation of the industry is a federal responsibility. While considerable work went

into the examination of possible deregulation several years ago, there has been no indication that the Government of Canada has taken any action on this file since that time.

Greyhound Service Cuts

One of STC's key vulnerabilities is that its business is closely tied to Greyhound services through interline arrangements. In May 2008, Greyhound discontinued its noon hour westbound run from Regina to Medicine Hat, as well as its eastbound run between Medicine Hat and Brandon via Regina, impacting STC's feeder lines. In 2009, Greyhound plans to reduce frequency of bus service along Highway 1 through Saskatchewan from three buses to two buses daily in each direction.

This reduction in service will negatively impact both STC's passenger and express connections in Regina, Moose Jaw and Swift Current. Fewer connections reduce STC's revenues from Greyhound commissions and cause longer wait times for passengers and express shipments. It also tends to reduce the overall amount of passenger and express business.

Negative Public Perception of Bus Travel

The Canadian Bus Association best summarizes the largest challenge to bus transportation as "despite its benefits, bus is the least understood travel mode and often the least respected" (November 2008). In general, bus transportation tends to be somewhat perceived as a last resort option. In Saskatchewan, the need for subsidization has also generated some criticism.

Financial Performance

Introduction

In 2008, STC operated over 3.1 million miles of scheduled bus service in the province, and provided connections to 283 communities.

The financial performance of the Company is significantly impacted by its mandate to provide service on the widest practical basis. Because of low population densities, there are insufficient passenger numbers and freight volumes to fully recover all operating costs, meaning that subsidization is required to continue serving our extensive network.

STC incurs net cash losses to provide services, therefore no dividend was paid to Crown Investments Corporation (CIC) in 2008 and STC will not be in a position to pay one in 2009. The Company remained debt-free in 2008.

In STC's case, its financial performance is gauged by whether its costs, and its subsidy, are as low as possible and by the quality and magnitude of the services that are provided relative to the expenditures incurred. The total cash loss, as a percent of the total expenses (excluding amortization) in 2008 was 29.1 percent.

Operating and Capital Grants

STC operations are subsidized through grant funding received from CIC. Each year, STC submits its performance measures and grant requirements to CIC for review and approval.

In 2008, STC received approval for an operating grant of \$7.0 million to cover its estimated operating losses. Through operating efficiencies, unanticipated savings due to

employee vacancies/shortages (wages, benefits and training) and unforeseen delays in the occupancy of the new facility and commencement of the La Loche route, STC required \$0.8 million less than the approved amount, for a total of \$6.2 million.

Capital grants of \$2.3 million were invested in equipment and vehicles (\$0.9 million), facilities (\$1.0 million) and information technology systems (\$0.4 million). A further capital grant of \$6.65 million was allocated to the construction of the new passenger depot, freight terminal and head office facility located in Regina.

Other Revenue Sources

In addition to its main lines of business, the Company had a number of alternative revenue sources to assist in the financing of its passenger services in 2008. The Company:

- leases available excess space on its properties. These proceeds totaled \$214,000;
- provides some maintenance and cleaning services in its garages to a number of other bus companies, providing revenue streams of \$709,000; and
- earned \$7,000 from sales of bus wrap advertising revenues and an additional \$47,000 from automatic banking machines and rental locker proceeds.

STC also operates a limited number of charters, which in 2008 represented about seven percent of its overall passenger services revenues. The operation of charters provides opportunities to better utilize the bus fleet, as most charters take place on the weekends when less maintenance activity is carried out. Charters also increase

the Company's visibility within the community. In particular, the charter service provided to the University of Saskatchewan and the University of Regina sports teams helps showcase STC to young adults.

To minimize competing with private charter companies, STC keeps its rates somewhat higher than its competitors. Rates are set to ensure that STC's charter services are run at a profit and are not subsidized. In addition, STC does not advertise charter services and only responds to direct requests. Requests for service that cannot be accommodated by STC are referred to private sector operators.

In 2008, charters generated revenues of \$511,000, compared to \$614,000 in 2007. Revenue was lower in 2008, reflecting the discontinuation of a large contract in 2008, and a shortage of motor coach operators which limited the number of charters we could operate.

Financial Reporting

In February, 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The CICA is currently deliberating the definition of publicly accountable enterprises as it applies to government entities

including the Saskatchewan Provincial Crown Corporations. At this time, the final outcome of these deliberations is not determinable and therefore the need for STC to adopt IFRS has not been firmly established. However, given the considerable effort required to prepare for the adoption of IFRS within the communicated timelines, STC is proceeding under the assumption that adoption of IFRS will be required.

STC began an IFRS conversion project including initiating the development of a high level IFRS implementation plan which includes stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS and a Project Plan was reviewed by the Board on November 26, 2008 and submitted to CIC in December 2008.

STC employees have participated in detailed IFRS training seminars. A project team has been created and has completed an initial assessment of those international financial reporting standards with the highest potential for impact. Based on the analysis to date, the most significant areas of difference are related to accounting for property, plant and equipment, leases, impairments and financial statement disclosures. Crown sector working groups have been formed to review identified standards in detail and discuss specific issues

as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution among the Crown Corporations. Selection of specific accounting policies has begun. At this time, the impact on STC's processes, systems, internal controls over financial reporting and disclosures, future financial position and results of operations is not reasonably determinable. Draft business impacts and IFRS financial statements are anticipated in the second half of 2009.

As part of the IFRS implementation, STC plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Beginning in 2009, STC will also implement a rigorous new set of standards for financial controls and reporting at all levels of its organization. STC's Chief Executive Officer and Chief Financial Officer are required to certify that these new standards have been implemented; the process of complying with the new standards is often referred to as "CEO/CFO Certification". With the assistance of consultants engaged by STC, significant progress was made in this regard in 2008. The activities and functions in each area of the company were examined and documented; policies written, confirmed or rewritten; and processes and procedures continue to be changed as necessary to meet the new control and reporting standards. These new standards will apply for the 2009 reporting period.

Passenger Services

The most significant change in STC's passenger service occurred in November with the addition of a new route between La Loche and Prince Albert.

After 15 straight years of declines in passenger numbers, the numbers essentially leveled off since 2004 with increases of 3.6 percent in each of 2005 and 2006 and a slight decrease of 1.5 percent in 2007.

Passenger numbers were strong and growing (four percent) in the first half of 2008. Following the tragic incident on a Greyhound bus in July, passenger numbers fell, more than offsetting the gains made in the first half of the year. Overall, numbers were down by one percent or 2,824 passengers for the year. In total, STC carried 270,002 passengers.

The Company's passenger service cost per mile was \$4.13, and the passenger revenue was \$2.38, resulting in a loss of \$1.75 per mile.

In 2008, STC's revenues from passenger service were \$7,618,000, compared to \$7,696,000 in 2007. Offsetting a July 1, 2008 increase of 3.3 percent in the passenger fare was a one percent drop in passenger numbers and a reduction in charter revenues.

Frequent traveller discount passes remained popular. A total of 329 Youth Summer Excursion Passes, 356 Way To Go Passes and 1,108 Medical Passes were sold in 2008.

Operating expenses for passenger services were \$13,218,000, compared to \$12,183,000 in 2007.

There are opportunities for increasing passenger numbers through new communication strategies aimed at reminding people that greenhouse gas emissions can be reduced by utilizing the bus for more of their transportation needs. Upon Board approval in November 2008, STC initiated the production of a new campaign intended to promote the environmental benefits of bus transportation. In an effort to grow and preserve our customer base in a cost-effective manner, environmental messaging will be released, in conjunction with a new seat sale campaign, beginning in early 2009. STC will also examine cost-effective opportunities to cross-promote its services with other organizations.

Parcel Express Services

Service schedules and frequencies are designed primarily to optimize services for the passenger side of the business. Some marketing and advertising efforts are taken to help remind shippers of STC's delivery services. The existence of numerous courier

companies in the business, and their ability to focus exclusively on the needs of express customers, provide them with a competitive advantage. Parcel express services tend to be somewhat seasonal for STC, with increased freight activity generally occurring during farm seeding, harvest, and the winter holiday (Christmas) season.

In 2008, STC continued to equip buses with trailers to carry additional freight, which allowed the Company to increase its freight hauling capacity and revenue-generating capabilities. A two percent increase on the station to station express rates effective May 1, 2008 was also incorporated to address rising operating costs. In 2008, revenues from express operations were \$7,341,000, compared to \$7,123,000 in 2007. Expenses associated with operating express services were \$5,489,000, compared to \$5,191,000 in 2007. Profits realized from operating this line of business was \$1,852,000, a slight reduction in profit compared to \$1,932,000 in 2007.

Bus Maintenance Services

STC has a high standard for fleet and equipment maintenance, both in terms of mechanical reliability and in the cleanliness



STC's parcel express operations is, in many rural communities throughout Saskatchewan, the primary carrier of parcels and freight.

of its coaches. All bus maintenance services occurs in Regina and Saskatoon service garages.

The strength of STC's maintenance operations resides in its employees. Their commitment to safety and quality work is second to none. The relatively homogenous nature of STC's fleet also allows for specialized training and streamlining of the parts inventory. STC has strict fleet maintenance and inventory management systems in place.

Since 2003, major repairs, installations and maintenance work were consolidated in the Saskatoon garage, with the Regina garage performing more routine maintenance and servicing. STC also provides some maintenance and cleaning services in these facilities for a number of other bus companies, providing revenue streams of \$709,000 in 2008, compared to \$714,000 in the previous year. In 2009, STC intends to focus on enhanced cleaning by adding more hours to frequent interior deep cleaning of its coaches.

In total, maintenance service expenditures were \$3,476,000 compared to \$3,317,000 in 2007.

Property, Plant & Equipment

Capital spending was \$9.1 million in 2008 compared to \$16.3 million in 2007. The decrease is primarily due to the completion of construction of the new facility in Regina.

Property

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns and operates service garages in Regina and Saskatoon. The company owns, but does not operate, a passenger and freight terminal in Moose Jaw. Regular insurance inspections ensure our facilities are maintained in sound structural order.

STC Facilities	Age (years)
Moose Jaw*	
Passenger and Parcel Express Terminal	13
Prince Albert	
Passenger and Parcel Express Terminal	14
Regina	
Passenger and Parcel Express Terminal	Opened In 2008
Service Garage	60
Saskatoon	
Passenger Terminal	34
Parcel Express Building	31
Service Garage	26

*STC owns the property, but does not operate it.

Moose Jaw

No major structural or maintenance work was completed in 2008.

Prince Albert

No major structural or maintenance work was completed in 2008. Security upgrades included improved exterior lighting and automation of the compound gates.

Saskatoon

The roof of the Saskatoon passenger terminal was replaced to maintain the structural integrity of the building. In addition, damaged seats in the passenger departure area and some office carpeting were also replaced. Three new air curtains were installed in the Saskatoon Maintenance facility.

Regina

Construction of the new terminal was completed and it officially opened to the public on November 4, 2008.

When compared to its former property, some of the most significant improvements include:

- enhanced accessibility for customers and employees with disabilities;
- a secure travelling environment for passengers with an enclosed and restricted passenger loading area;
- a comfortable passenger waiting and loading area;

- a secure and enclosed freight loading area;
- increased restaurant seating capacity;
- energy efficiency; and
- a secure and functional work environment for employees.

The building also contains some of the most state-of-the-art technology, including security, communications and building systems.

The passenger hall is the focal point of the interior with an arched ceiling that brings in an abundance of natural light. The total cost of the new facility was \$26.2 million.

STC's former terminal and head office property, located between the 2000 blocks of Hamilton and Rose Streets, were sold to the SaskPower Corporation for \$1.45 million. The property included a 56 year-old passenger depot, a 32 year-old parcel express building and parking lots.

No major structural or maintenance work was completed on the garage in 2008 with the exception of new interior and exterior security cameras being installed.

Information Systems

STC made significant improvements to its provincial communications infrastructure in 2008.

In conjunction with the construction of the new terminal in Regina, STC upgraded its communication links to major Saskatchewan centres and through our agency network.

Several initiatives in 2008 were related to preparing the new terminal in Regina for opening and operations, such as enhanced security camera functions, development and implementation of a new network infrastructure and coordinating the move of our information systems hardware and staff. Research of new services and cost-effective technology solutions in 2008 will pave the way for STC to progress in 2009, offering enhanced security, new passenger amenities and customer information centre kiosks.

Fleet and Equipment

The company endeavours to match its bus fleet to passenger volumes on various routes. Accordingly, our units range in size from 15-seat vans to 55-seat coaches. In 2008, STC operated a total of 45 coaches and 24 freight trailers. 20 percent of STC's coaches are wheelchair-accessible.

New on-bus security features were announced in December 2008, with installations scheduled for completion by April 2009. The new security features include better interior lighting, motor coach operator enclosures, larger rear view mirrors, exterior and interior cameras and global positioning devices with emergency alert capability.

In 2008, STC purchased two new 22-passenger coaches, two large express trailers, and a new MCI coach featuring 110 volt AC power outlets and fold down trays on selected seats. We also removed four seats from one of our 55 seat coaches, resulting in a total of four coaches with increased leg room in 2008.

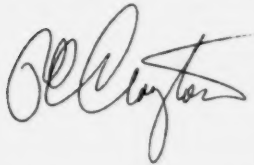
Balanced Scorecard

Management's Responsibility for Reporting on Performance

Management has presented its performance information in the Balanced Scorecard. The information is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims), consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To provide a better understanding of the information, management has defined the terms and calculations and has disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfill this responsibility, the Company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the Company, on March 31, 2009,

A handwritten signature in black ink, appearing to read "Ray Clayton". The signature is stylized with a large, looped "R" and a cursive "Clayton".

Ray Clayton, President & CEO

The Saskatchewan Transportation Company (STC) balanced scorecard holds the Company accountable to the public. It contains objectives, measures and targets which were created based on the strategic direction provided by STC's Board of Directors, as well as the overall strategic direction set forth by the Crown Investment Corporation (CIC).

Following the Provincial Auditor Saskatchewan audit of this balanced scorecard in 2006, as well as feedback received from CIC, our measures and reporting have changed over the past few years and will continuously evolve to improve alignment with the Company's strategic plan, demonstrate STC contribution to the priorities of the Crown sector and to improve clarity in the reporting of the results.

Discussion of 2008 Results

Customer

- 89 percent of passengers, who voluntarily responded to our passenger survey, rated our services as good or excellent.
- At December 31, 2008, STC's average passenger fare was \$29.10, three percent below the western Canadian average fare of \$30.00.
- STC owned and operated 45 coaches, nine of which were equipped for wheelchair accessibility.

Public Policy

- STC is proud to support Saskatchewan's economy, procuring 89 percent of its goods and services from Saskatchewan businesses. Specifically, the construction of the Company's new facility in Regina contributed to STC exceeding its Buy Saskatchewan target by seven percent. In total \$18 million was spent in Saskatchewan.
- Compared to 2007, our passengers' awareness that bus transportation is environmentally friendly increased by two percent, compared to 89.1 percent as reported in the previous year.
- STC conducted a tendering process and entered into a contract for the delivery of approximately 36,000 litres of B100 annually to STC. Effective November 6, 2008, all coaches refueling in Saskatoon and Regina were operating on this two percent canola biodiesel blend.

Financial

- While STC requires grants from CIC to fulfill its public policy role, it measures its financial success by setting efficiency targets ("passenger services loss per mile" and "operating cash loss as a percentage of expenditures") and by implementing strict expenditure controls to meet those targets. Through savings in wages and benefits, training, advertising and the unforeseen delay of commencement of the La Loche service and opening of STC's new terminal, the Company required a lower than budget operating grant from the shareholder. The passenger services loss per mile was better than its target of \$1.80, coming in at \$1.75. This demonstrates the Company's commitment to operating efficiently under its current mandate, keeping grants as low as possible.
- STC was in substantial compliance with best practices of corporate governance as defined by the CSA. Please see the Corporate Governance section of the Annual Report for details.

Employee

- Dialogue with our employees is currently underway to identify actions to improve overall satisfaction. STC's objective is to be an employer of choice.
- Compared to 2007, STC had two less lost-time accidents, resulting in a total of 22 WCB claims. This reflects employee commitment to ensuring STC is a safe workplace.
- Greater emphasis was placed on training Motor Coach Operators in safety and defusing hostility.
- STC continues to make progress toward achieving a representative workforce. In total, 64 percent of new hires were members from the designated equity groups.

Innovation

- STC grew its business operations within the public sector. The Company was the official transportation provider for the University of Regina Cougars, University of Saskatchewan Huskies and the University of Regina Rams and leased space to two public agencies.
- STC grew its business with the private sector, securing a number of new agencies and a new contract carrier to deliver passenger and express services between La Loche and Prince Albert. At year end, STC reported a total of 216 partnerships and agreements with private companies.
- Ridership decreased by one percent compared to 2007. While passenger numbers were strong and grew by four percent during the first six months, a significant decline occurred following the tragedy on a Greyhound bus in late July. August to December ridership dropped by 8,159 riders or 6.9 percent compared to that same period in 2007.

We Meet the Needs of Our Customers

	Objective	Measures	2008 Target	2008 Actual	2009 Target
CUSTOMER	Customers are satisfied with the service they receive	M1 Passenger survey satisfaction ratings	87%	89%	87%
	Fares and discounts are competitive and satisfactory to our customers	M2 Fares are at or near the western Canadian average	- 1% to +4%	- 3%	- 1% to +4%
	Routes serve a significant portion of rural Saskatchewan	M3 Minimum miles traveled	3.1 M	3.17 M	-*
		M4 Number of communities served	282	283	282
	All of our customers deserve the most comfortable ride possible	M5 Coaches equipped for wheelchair accessibility (% of fleet)	20%	20%	20%

We Are Good Corporate Citizens

	Objective	Measures	2008 Target	2008 Actual	2009 Target
PUBLIC POLICY	Support development of the Saskatchewan economy	M6 Percentage of total expenditures made in Saskatchewan (Buy Saskatchewan)	82%	89%	83%
		M7 Develop "green" fuel policy	Implement bio-diesel		-*
	Support building our future by protecting our environment	M8 Percentage of STC buses fueled in Regina and Saskatoon that contain a 2% biodiesel blend	New for 2009		100%
		M9 Passenger survey results show high percentage of awareness that bus transportation is environmentally friendly	91%	91%	91%

We Are a Fiscally Responsible and Accountable Corporation

	Objective	Measures	2008 Target	2008 Actual	2009 Target
FINANCIAL	We keep our operating grant from the shareholder as low as possible	M10 Operating cash loss as a percentage of overall expenditures	31.5%	29.1%	31.5%
	Operating costs are as low as possible	M11 Passenger services loss per mile	\$1.80	\$1.75	\$2.05
	Meet or exceed all Board of Director governance requirements	M12 Compliance with "Best Practices" for Board governance		Full Compliance	

We Are a High-Quality Employer

PEOPLE

Objective	Measures	2008 Target	2008 Actual	2009 Target
Employer of choice in Saskatchewan	M13 Employee satisfaction survey ratings	66%	62%	67%
Promote safety and career enhancement training for our employees	M14 Workplace safety records – decrease in lost time accidents	1 less	2 less	–*
	M15 Number of employees receiving safety, technical and professional development training	100	137	100
Support creating job and career opportunities for youth and Aboriginal	M16 Number of career training opportunities in the bus passenger industry	2	2	–*
	M17 Percentage of employees from target groups in overall workforce			
Support development of a representative workforce in Saskatchewan	Women	26%	24.1%	TBD
	Aboriginal	13%	13.5%	14%
	Visible Minority	3.5%	3.8%	4%
	Persons with Disabilities	10%	6.3%	11%

We Are Improving and Innovating

INNOVATION

Objective	Measures	2008 Target	2008 Actual	2009 Target
Grow our business operations within the public sector	M18 Total annual contracts	3	5	–*
Grow our business operations within the private sector	M19 Total agreements and partnerships	212	216	220
Build our customer base and promote the Corporation	M20 Percentage growth in passenger numbers	0.5%	-1.0%	4%
Assist Saskatchewan to “go green”	M21 New environmental initiatives undertaken	New for 2009		2

*Target has been revised or deleted. See Explanation of Measurement Terms for details.

Explanation of Measurement Terms

2008 Balanced Scorecard

We Meet the Needs of Our Customers

- M1 Passenger Survey Satisfaction Ratings** is the overall satisfaction level of our bus-riding (passengers) customers. This information is obtained through semi-annual voluntary passenger sample surveys. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent".
- M2 Fares are at or Near the Western Canadian Average** and are set within a range of 1% below the Western Canadian average (WCA) to 4% above the average. The WCA is determined by the rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia.
- M3 Minimum Miles Travelled** are the total number of miles on regularly scheduled routes, plus overload services. It does not include charter miles. This measurement has been removed for 2009.
- M4 Number of Communities Served** is all communities with at least one of the following: a flag-stop, scheduled passenger service and/or freight only service.
- M5 Coaches Equipped for Wheelchair Accessibility** is the percentage of total motor coaches owned by STC with built-in chair lifts.

We Are a Good Corporate Citizen

- M6 The Percentage of Total Expenditures Made in Saskatchewan (Buy Saskatchewan)** includes all monies paid to Saskatchewan vendors through the accounts payable system, including agency commissions and Corporate pension remittances to the Saskatchewan Pension Fund.
- M7 Develop "Green" Fuel Policy** is the implementation of fuel that burns cleaner and produces fewer harmful emissions. In STC's case it is biodiesel blended fuel.
- M8 The Percentage of STC Buses Fueled in Regina and Saskatoon That Contain a 2% Biodiesel Blend** is 100%. Measurement applies only to diesel powered

vehicles. With the implementation of the green fuel policy (as outlined in M7), the Corporation has set this as a new target for 2009.

- M9 Passenger Survey Results Show High Percentage of Awareness that Bus Transportation is Environmentally Friendly.** This information is obtained through semi-annual, voluntary passenger sample surveys and represents the total percentage of respondents who rate riding the bus as environmentally friendly. Reporting of this measurement changed from percent increase to total percentage. Under this previous reporting structure, the 2008 target was set at 2%.

We Are a Fiscally Responsible and Accountable Corporation

- M10 Operating Cash Loss as a Percentage of Overall Expenditures** is kept as low as possible. The percentage is calculated as the operating cash loss divided by the total expenses (excluding amortization) for the year.
- M11 Passenger Services Loss Per Mile** is a calculation of the difference between the passenger expense and revenue per mile. Passenger revenue per mile is calculated as the total passenger revenues per the Statement of Operations and Comprehensive Loss statement, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses, as outlined in the MD&A section of STC's Annual Report, divided by the total scheduled miles and service miles. The label of this measurement was changed from "Subsidy Per Mile" to better reflect its definition.
- M12 "Best Practices" for Board Governance** is measured by either meeting or exceeding all Board governance requirements. A list of best practices for Board governance is defined by the Canadian Securities Administrators (CSA) and is measured against Board performance throughout the year, as well as approved Board Terms of Reference.

We Are a High-Quality Employer

M13 Employee Satisfaction Survey Ratings are obtained from the answers provided in response to a specific satisfaction question included in a comprehensive employee survey. The question measures the overall satisfaction of STC employees. The survey is conducted annually and responses are voluntary.

M14 Workplace Safety Records is measured as the number of accidents that cause an employee to be off work under Workers' Compensation Board (WCB) claims. Numbers are reported as an increase or decrease in WCB claims at year end.

M15 The Number of Employees Receiving Safety, Technical and Professional Development Training in the workplace. This number represents the number of employees who have attended either an in-house or externally delivered seminar, training session or workshop during the year. This measurement was previously reported as two separate measurements. It will continue to be tracked separately by STC management, and reported collectively.

M16 To Help Develop Career Training Opportunities in the Bus Passenger Industry, STC recruits summer student(s) and participates in the Crown Investments Corporation Gradworks Internship Program annually. These opportunities allow STC to build a future workforce in the bus industry. This objective will be discontinued in 2009.

M17 Percentage of Employees from Target Groups in the Overall Workforce includes employees of aboriginal ancestry, visible minorities, disabled employees and women in under-represented occupations. STC is federally-regulated and reports its employment equity statistics to Human Resources and Social Development Canada as well. The federal definitions are similar to the Saskatchewan Human Rights Commission (SHRC), with one exception; the SHRC tracks women in non-traditional roles, while the

federal standard is simply women in the workplace. Numbers for women are reported under federal standards. In 2009, STC will align this target with the Crown sector and report women in non-traditional occupations. All numbers represent the percentage of employees from targeted groups in the overall STC workforce as of December 31 (excluding casual employees).

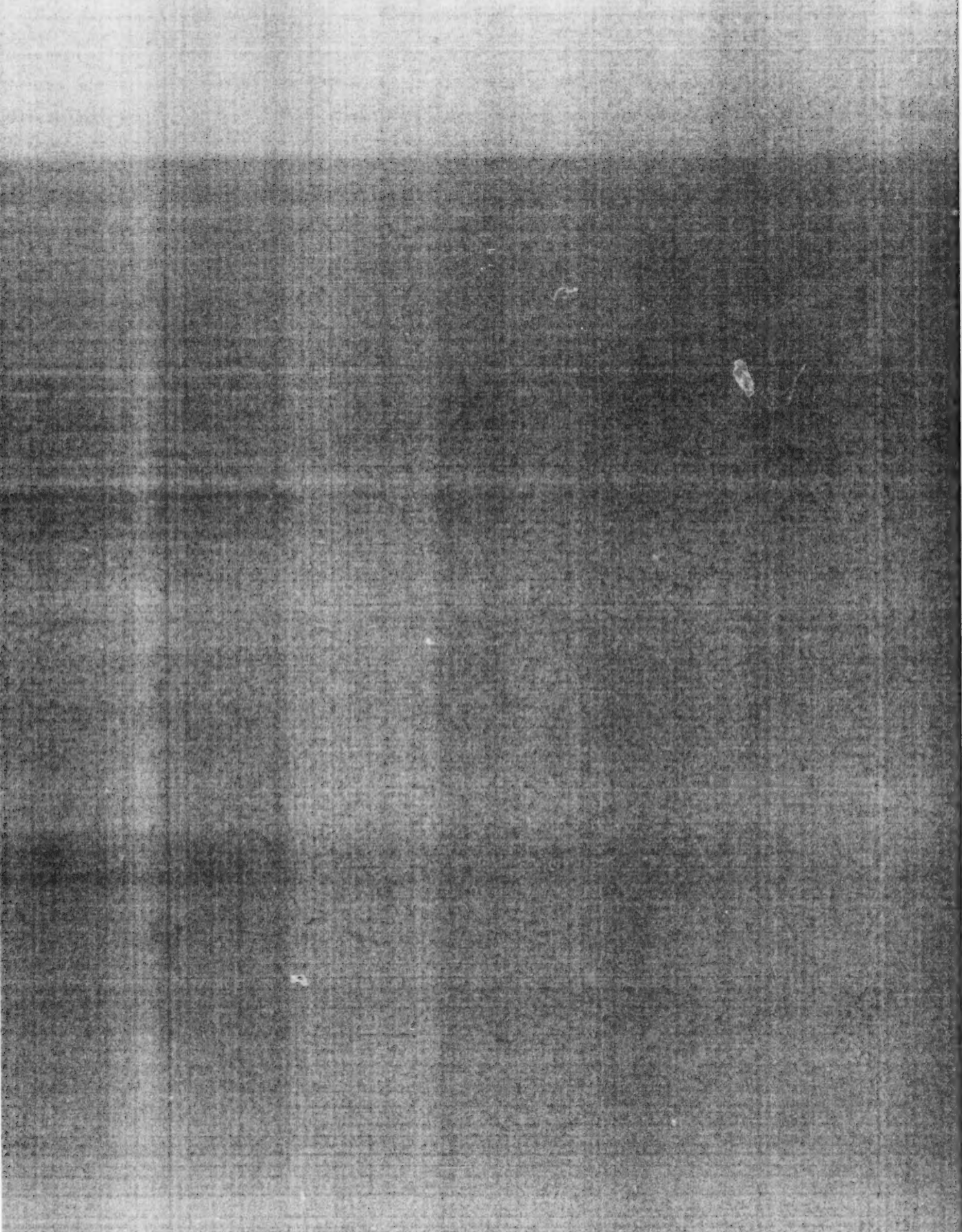
We Are Improving and Innovating

M18 The number of **Total Annual Contracts** with public sector entities. A public entity is defined as a government or educational institution (university). This has been removed from the 2009 balanced scorecard, to reflect STC's strategic focus on growing our operations with the private sector.

M19 The number of **Total Agreements and Partnerships** with private sector entities. This target was originally set at "3", representing the targeted number of agreements with provincial attractions and other transportation providers. Effective February 2008, this measurement was changed to 212 to reflect the company's total agreements and partnerships with all its agents, interline carriers, contract carriers and pick-up and delivery service operators.

M20 The **Percentage Growth in Passenger Numbers** is the percentage growth in ridership year-over-year.

M21 The number of **New Environmental Initiatives Undertaken** including promotions, partnerships, community support initiatives and workplace/asset enhancements. This is a new target, representing STC's strengthened strategic focus on environmental stewardship.



Financial Results

SASKATCHEWAN TRANSPORTATION COMPANY

FINANCIAL STATEMENTS

December 31, 2008

Management's Responsibility for Financial Reporting

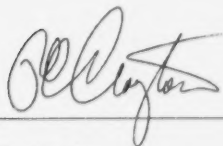
Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

Meyers Norris Penny LLP, the Company's external auditors, have examined the December 31, 2008 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,

A handwritten signature in black ink, appearing to read 'Ray Clayton', positioned above a horizontal line.

Ray Clayton
President & CEO

A handwritten signature in black ink, appearing to read 'Shawn Grice', positioned above a horizontal line.

Shawn Grice
Chief Financial Officer

January 30, 2009



MEYERS NORRIS PENNY LLP

Auditors' Report

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the statement of financial position of **Saskatchewan Transportation Company** as at December 31, 2008 and the statements of operations and comprehensive loss, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Regina, Saskatchewan
January 30, 2009

MEYERS NORRIS PENNY LLP

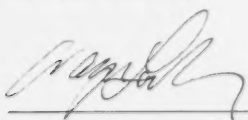
Saskatchewan Transportation Company Statement of Financial Position

As at December 31

	2008	2007
	(Thousands of Dollars)	
ASSETS		
Current		
Cash	\$ 2,676	\$ 1,617
Accounts receivable	1,560	2,047
Inventories	383	370
Prepaid expenses	437	438
	5,056	4,472
Property, plant and equipment <i>[note 7]</i>	40,523	34,548
	\$ 45,579	\$ 39,020
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Accounts payable and accrued liabilities	3,324	3,896
Deferred capital grant <i>[note 8]</i>	32,365	24,874
Province of Saskatchewan's Equity		
Contributed surplus <i>[note 12]</i>	465	—
Retained earnings	9,425	10,250
	9,890	10,250
	\$ 45,579	\$ 39,020

See accompanying notes

On behalf of the Board



Wayne Lorch
Director



Jonathan Abrametz
Director

Saskatchewan Transportation Company

Statement of Operations and Comprehensive Loss

Year ended December 31

	2008	2007
	(Thousands of Dollars)	
REVENUE		
Express services	\$ 7,341	\$ 7,123
Passenger services	7,618	7,696
Other revenues	1,147	1,163
Gain on disposal of property, plant and equipment	145	83
	16,251	16,065
EXPENSES		
Operating	19,153	17,807
Administration	3,559	3,033
Amortization	2,016	1,880
	24,728	22,720
Loss before the following	(8,477)	(6,655)
Operating grant [note 9]	6,200	5,000
Capital grant [note 8]	1,441	1,353
Loss before extraordinary item	(836)	(302)
Extraordinary item [note 14]	(7)	(81)
Net loss	(843)	(383)
Other comprehensive loss	-	-
Comprehensive loss	(843)	(383)

Statement of Retained Earnings

Year ended December 31

	2008	2007
	(Thousands of Dollars)	
Retained earnings, beginning of year	10,250	10,290
Net loss	(843)	(383)
Grant funding recognized related to purchase of land and related costs [note 8]	18	343
Retained earnings, end of year	\$ 9,425	\$ 10,250

See accompanying notes

Saskatchewan Transportation Company

Statement of Cash Flows

Year ended December 31

	2008	2007
	(Thousands of Dollars)	
OPERATING ACTIVITIES		
Net loss	\$ (843)	\$ (383)
Items not involving cash:		
Amortization	2,016	1,880
Gain on disposal of property, plant and equipment	(145)	(83)
Extraordinary item [note 14]	7	81
Recognition of capital grant	(1,441)	(1,353)
Net change in non-cash working capital [note 11]	(842)	(1,126)
Cash used in operating activities	(1,248)	(984)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(8,310)	(15,151)
Net change in non-cash working capital related to extraordinary item [note 14]	(7)	275
Proceeds on disposal of property, plant and equipment	1,674	139
Cash used in investing activities	(6,643)	(14,737)
FINANCING ACTIVITIES		
Capital grant received	2,300	1,900
Grant funding received for land improvements and for construction costs related to the new Regina head office and depot	6,650	13,650
Cash provided by financing activities	8,950	15,550
Increase (Decrease) in cash	1,059	(171)
Cash, beginning of year	1,617	1,788
Cash, end of year	\$ 2,676	\$ 1,617

See accompanying notes

Saskatchewan Transportation Company

Notes to Financial Statements

December 31, 2008

1. Status of the Company

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under *The Traffic Safety Act*, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates, but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. Operations and Financing

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the province is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Orders in Council #9/2008 and #208/2008 STC was authorized to obtain grant funding up to \$9.8 million [2007 - \$7.9 million, Orders in Council #5/2007 and #6/2007] in total for both capital and operating requirements excluding capital funding related to the new Regina head office and depot. During the year, STC requested and received \$8.5 million of the \$9.8 million authorized [2007 - \$6.9 million of the \$7.9 million authorized].

By way of Orders in Council #568/2005, #906/2005 and #4/2007 STC is authorized to obtain grant funding up to \$25.5 million for the acquisition of land and for construction costs related to the new Regina head office and depot. During the year, STC requested and received \$6.65 million [2007 - \$13.65 million, 2006 - \$2.75 million, 2005 - \$2.45 million] of the \$25.5 million authorized.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies are as follows:

Inventories

Inventories of vehicle parts and supplies are stated at the lower of cost and net realizable value and are costed using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated amortization. Assets held for sale are segregated and no longer amortized and are recorded at carrying amounts that approximates fair value. Expenditures for betterments, such as major refurbishment and structural repairs, are capitalized. Normal maintenance, such as engine and drive train repairs, mechanical repairs and preventative maintenance are expensed as incurred.

Operating Grant Revenue

Operating grants from CIC are recognized as revenue when received.

Capital Grant Revenue

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of amortization recognized on the assets acquired with the grant funds.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

Revenue Recognition

Passenger and freight transportation revenue is generally recognized upon the completion of service. Interline passenger and freight transportation service is treated as being complete when the passenger or parcel is turned over to the connecting carrier.

Other revenues, including charter, space leasing, bus advertising, vending, and maintenance, are recognized when earned.

Amortization

Amortization is charged to income from the date assets are put into service and is recorded on the straight-line basis at rates designed to amortize the cost of property, plant and equipment over their estimated useful lives after considering salvage values.

Estimated useful lives are as follows:

Buildings	10 to 40 years
Vehicles	5 to 15 years
Other equipment	3 to 10 years

Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property, plant and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Long-lived assets

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in net loss for the year. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

Financial Instruments

STC classifies its financial instruments into one of the following categories: 1) held-for-trading, 2) loans and receivables, and 3) other financial liabilities.

All financial instruments are measured at fair value upon initial recognition. Cash is classified as held-for-trading and is measured at fair value with changes in fair value recognized in net income. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

These standards also require STC to recognize and measure derivative instruments embedded in host contracts. STC selected January 1, 2003 as the transition date to apply fair value accounting for embedded derivatives. STC does not have any embedded derivatives in host contracts.

Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis.

Recent Accounting Pronouncements

In February 2008, the Public Sector Accounting Board (PSAB) confirmed that publicly accountable enterprises, including the Company, will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

The Company has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Company's future financial position and results of operations is not reasonably determinable.

4. Changes In Accounting Policies

Effective January 1, 2008, STC adopted the following new accounting standards, as issued by the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 3862 – Financial Instruments – Disclosures; Section 3863 – Financial Instruments – Presentation; Section 1535 – Capital Disclosures; and Section 3031 – Inventories. The following are the impacts of implementing these new standards prospectively in 2008.

Financial Instruments

Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation replaces existing CICA Handbook Section 3861 – Financial Instruments – Presentation and Disclosure. The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Company's risks arising from financial instruments. As these standards only address disclosure and presentation requirements, there is no impact on the Company's operating results. The required disclosure is provided in Note 5.

Capital Disclosures

Section 1535 – Capital Disclosures requires the disclosure of information about STC's capital (debt and equity) and how it is managed. Specifically, information is disclosed to enable users of the financial statements to evaluate STC's objectives, policies and processes for managing capital. As this standard only addresses disclosure requirements, there is no impact on the Company's operating results. The required disclosure is provided in Note 6.

Inventory

Section 3031 – Inventories establishes standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year results. The adoption of this new standard had no material impact on these financial statements.

5. Financial Instruments and Risk Management

Fair Value

The Company, as part of its operations, carries a number of financial instruments which includes cash, accounts receivable, accounts payable and accrued liabilities. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

Credit Risk

Credit risk refers to the possibility that a customer will fail to meet its contractual obligations. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks identified with the customer and other relevant information. STC monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk is \$1.56 million (2007 – \$2.047 million), the fair value of the accounts receivable.

The following table sets out details of the age of receivables and allowance for doubtful accounts:

	2008		2007	
			<i>(Thousands of Dollars)</i>	
Gross accounts receivable:				
Current	\$	1,124	\$	1,350
Up to three months past due date		538		728
Greater than three months past due date		73		146
Allowance for doubtful accounts		(175)		(177)
	\$	1,560	\$	2,047

6. Capital Management

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

STC obtains its funding from CIC by way of operating and capital grants authorized by Orders In Council. Throughout the year, operating and capital grant draws are made as necessary based on cash flow forecasts. STC also has an available line of credit of \$500 thousand at the CIBC Bank that it can draw upon.

STC's capital structure consists of equity, primarily in the form of retained earnings. STC does not have any debt.

STC's capital structure is as follows:

	2008		2007	
	(Thousands of Dollars)			
Contributed surplus	\$	465	\$	–
Retained earnings		9,425		10,250
	\$	9,890	\$	10,250

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its balanced scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	<i>(Thousands of Dollars)</i>			
Land	\$ 4,654	\$ –	\$ 4,654	\$ 5,262
Buildings	32,364	6,255	26,109	20,091
Vehicles	15,155	7,531	7,624	7,842
Other equipment	6,288	4,152	2,136	1,353
	\$ 58,461	\$ 17,938	\$ 40,523	\$ 34,548
Assets held for sale	33	33	–	–
	\$ 58,494	\$ 17,971	\$ 40,523	\$ 34,548

At December 31, 2008, STC has assets that are no longer in service and are held for sale. The carrying amount of these assets approximates fair value and has been segregated above.

Capital expenditures incurred during the year totaling \$5.81 million [2007 - \$13.57 million] for costs related to the new Regina head office and depot are included in buildings. In total \$21.89 million has been spent on the construction of the new Regina head office and depot. The amortization of these costs commenced in November when the new facility was in use.

Capital expenditures incurred during the year totaling \$18 thousand [2007 - \$34 thousand] for costs related to the new Regina head office and depot are included in land. In total \$3.38 million has been spent on the land related to the new Regina head office and depot.

During 2007 STC completed a physical count of its assets. Those that were no longer in use were removed from our fixed asset listing with no impact to the net book value of property, plant and equipment in the financial statements.

8. Capital Grant

Order in Council #208/2008 authorized STC to obtain grant funding up to \$2.3 million for capital requirements not including capital requirements for 2008 related to the new Regina head office and depot. During the year, STC obtained \$2.3 million [2007 - \$1.9 million, Order in Council #5/2007] from CIC.

Orders in Council #568/2005, #906/2005 and #4/2007 authorized STC to obtain grant funding up to \$25.5 million for the acquisition of land and for construction costs related to the new Regina head office and depot. During the year, STC obtained \$6.65 million [2007 - \$13.65 million, 2006 - \$2.75 million, 2005 - \$2.45 million] from CIC.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

Deferred capital grant consists of the following:

	2008	2007
	<i>(Thousands of Dollars)</i>	
Deferred capital grant, beginning of year	\$ 24,874	\$ 11,020
Capital grant received	2,300	1,900
Grant funding received for land improvements and for construction costs related to the new Regina head office and depot	6,650	13,650
Grant funding for land recognized	(18)	(343)
Capital grant revenue recognized	(1,441)	(1,353)
	\$ 32,365	\$ 24,874

9. Operating Grant

Order in Council #9/2008 authorized STC to obtain grant funding up to \$7.5 million for operating requirements in 2008. During the year, STC obtained \$6.2 million [2007- \$5.0 million, Order in Council #6/2007] from CIC.

10. Pension Plans

The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Service Superannuation Act and administered by the Public Employees Benefits Agency. STC's contributions to this plan which were expensed during 2008 were \$22 thousand [2007 - \$27 thousand]. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to this plan which were expensed in 2008 were \$689 thousand [2007 - \$553 thousand]. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligation to each plan is limited to making regular payments to match the amounts contributed by the employees for current service.

11. Net Change in Non-Cash Working Capital

	2008	2007
	<i>(Thousands of Dollars)</i>	
Decrease (increase) in:		
Accounts receivable	\$ 487	\$ (501)
Inventories	(13)	(33)
Prepaid expenses	1	(276)
	\$ 475	\$ (810)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(572)	872
Less: increase related to investing activities	(745)	(1,188)
Accounts payable and accrued liabilities related to operations	\$ (1,317)	\$ (316)
	\$ (842)	\$ (1,126)

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies and boards and commissions related to STC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2008	2007
	<i>(Thousands of Dollars)</i>	
Accounts receivable	\$ 177	\$ 443
Accounts payable	222	73
Express services revenues	632	610
Other revenues	371	334
Passenger services revenues	188	208
Operating and administration expenses	1,589	1,647

During 2008, STC purchased furniture and equipment from the Ministry of Government Services for \$164 thousand.

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus [\$465 thousand].

STC also pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

13. Purchase Commitment

As of December 31, 2008, the Company has an outstanding commitment for \$0.4 million [2007 - \$5.5 million] related to the construction of the new Regina head office and depot.

14. Extraordinary Item

On December 31, 2007, one of the Company's 55 seat passenger coaches was destroyed by fire. The cause of the fire and the value of the insurance proceeds were undetermined at December 31, 2007. The Company estimated the insurance proceeds at \$275 thousand. The unamortized cost of the coach as at December 31, 2007 was approximately \$356 thousand, resulting in an extraordinary loss of \$81 thousand. In 2008, insurance proceeds of \$268 thousand were received, which resulted in an additional extraordinary loss of \$7 thousand.

Corporate Governance

Authority

Established in 1946, the Saskatchewan Transportation Company (STC; the Corporation) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993*, which provides the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's Crown corporations, the authority to establish the direction of the Corporation.

Board of Directors

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board supervises Executive Officers, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The Chair is an independent director. The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements Board approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. The Minister of Crown Corporations and cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with the industries' "best practices" for corporate governance, as developed by the Canadian Securities Administrators.

Board Composition

The STC Board consists of eight independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board. STC's 2008 Board was appointed on February 6, 2008 by order of the Lieutenant Governor in Council.

Board Committees

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees that it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference outlining its authority and its areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees and may attend any meeting as appropriate.

2008 Board of Directors



Ray Clayton (President and CEO), Bill Missal, Wayne Lorch (Chair), Sandra Archibald (Vice Chair), Deb Schmidt, Jonathan Abrametz. Missing: John Breakey, Walter Dutchak and Sarah Gauthier.

The following committees acted in an advisory capacity to the Board of Directors in 2008.

Audit and Finance

Chair: Jonathan Abrametz

Appointed annually by resolution of the Board, the Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- overseeing the provision of relevant and timely financial information to the Board;
- the appointment of the external auditor; and
- ensuring appropriate follow-up of audit results.

In addition to the Chair of the Audit and Finance Committee, other members were John Breakey, Sarah Gauthier and Wayne Lorch.

Governance and Corporate Responsibility

Chair: Deb Schmidt

Appointed annually by resolution of the Board, the Governance & Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- developing and recommending best corporate governance practices and the annual strategic planning processes;
- overseeing human resource strategies, programs and practices;
- keeping current with developments and emerging best practices in corporate governance;
- ensuring the Corporation is proactive in addressing safety, health and environment issues and is in compliance with all statutory requirements;
- identifying and recommending competent, skilled candidates for appointment to the Board;
- reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- managing evaluations of the Board, Committees, Chair and Director performance; and
- providing oversight to the Corporation's code of conduct and ethics.

In addition to the Chair of the Governance and Corporate Responsibility Committee, other members were Sandra Archibald, Walter Dutchak and Bill Missal.

Corporate Governance Practices

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While the Saskatchewan Transportation Company is not a publicly traded company, its practices are benchmarked against these current industry best practices.

As part of the Corporation's commitment to practicing under these CSA guidelines, the Corporation expanded its public reporting and disclosure for 2008 to include a detailed discussion of STC governance practices. This discussion is included in the following governance scorecard.

2008 Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
	Yes	No	
Composition of the Board			
NP 58-201, section 3.1			
The Board should have a majority of independent directors.	All directors of the STC Board are independent members.		✓
NI 58-101F1, sections 1(a) to (d)			
1(a) Disclose the identity of directors who are independent;	All directors of the STC Board are independent members.		✓
1(b) Disclose the identity of directors who are not independent and the basis for that determination;	Wayne Lorch (Chair): INDEPENDENT Regina - Owner, Performance Marine		
1(c) Disclose whether the majority of directors are independent; and	Sandra Archibald (Vice-Chair): INDEPENDENT Regina - President, Active Enterprises Inc.		
1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.	Jonathan Abrametz: INDEPENDENT Saskatoon - Lawyer, Bridges Duty Counsel		
	John Breakey: INDEPENDENT Estevan - President, Watson Land Services (1994) Ltd.		
	Walter Dutchak: INDEPENDENT North Battleford - General Manager of WPD Ambulance and Rosthern and District Ambulance		
	Sarah Gauthier: INDEPENDENT Saskatoon - Water Resources Engineer, Golder Associates Ltd.		
	Bill Missal: INDEPENDENT Lang - Entrepreneur		
	Deb Schmidt: INDEPENDENT Yorkton - Realtor, Royal LePage Premier Realty		
	Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.		
NP 58-201, section 3.2			
The Chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.		✓

2008 Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
Composition of the Board			
NP 58-201, section 3.1	The Board should have a majority of independent directors.	All directors of the STC Board are independent members.	✓
NI 58-101F1, sections 1(a) to (d)	1(a) Disclose the identity of directors who are independent; 1(b) Disclose the identity of directors who are not independent and the basis for that determination; 1(c) Disclose whether the majority of directors are independent; and 1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.	All directors of the STC Board are independent members. Wayne Lorch (Chair): INDEPENDENT Regina - Owner, Performance Marine Sandra Archibald (Vice-Chair): INDEPENDENT Regina - President, Active Enterprises Inc. Jonathan Abrametz: INDEPENDENT Saskatoon - Lawyer, Bridges Duty Counsel John Breakey: INDEPENDENT Estevan - President, Watson Land Services (1994) Ltd. Walter Dutchak: INDEPENDENT North Battleford - General Manager of WPD Ambulance and Rosthern and District Ambulance Sarah Gauthier: INDEPENDENT Saskatoon - Water Resources Engineer, Golder Associates Ltd. Bill Missal: INDEPENDENT Lang - Entrepreneur Deb Schmidt: INDEPENDENT Yorkton - Realtor, Royal LePage Premier Realty Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.	✓
NP 58-201, section 3.2	The Chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No

NI 58-101F1, section 1(f)

1(f) Disclose whether the Chair of the Board is an independent director; disclose the identity of the Chair and describe the role of the Chair.

Wayne Lorch is the Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to the Board, respecting communications with the shareholder.

The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise the powers assigned by the Board.

The Chair's primary responsibilities are to:

- chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded;
- work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas;
- monitor meeting attendance and encourage full participation of directors at meetings;
- maintain open channels of communications with directors between meetings;
- champion the Corporate approach to governance;
- provide leadership in Board organization, optimizing Board and committee structures and operations;
- take a lead role in assessing and addressing any concerns related to the performance of the Board, its committees or individual members;
- assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities;
- work with Committee chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities;
- act as an ex-officio member of all Board committees;
- coach, support and assist the CEO and senior management;
- monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and
- work with the CEO to develop and maintain productive relationships and represent the Corporation.



CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines																			
		Yes	No																		
Meetings of Independent Directors																					
NP 58-201, section 3.3			✓																		
The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting.																				
NI 58-101F1, section 1(e)			✓																		
1(e) Disclose where the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in previous 12 months; if such meetings are not held, disclose what the Board does to facilitate open and candid discussion among independent directors.	The Board held regularly scheduled meetings at which members of management were not present. There were eight (8) regular Board meetings held in 2008. The Board facilitates open and candid discussions by holding in-camera sessions during these regular meetings without management presence.																				
NI 58-101F1, section 1(g)			✓																		
1(g) Disclose the attendance record of each director for Board meetings held in the most recently completed financial year.	There were eight (8) Board meetings in the 2008 calendar year. The following are the Director's attendance statistics:																				
	<table><tr><th>Director</th><th>Meetings Attended*</th></tr><tr><td>Wayne Lorch (Chair)</td><td>8 of 8</td></tr><tr><td>Sandra Archibald (Vice Chair)</td><td>5 of 8</td></tr><tr><td>Jonathan Abrametz</td><td>8 of 8</td></tr><tr><td>John Breakey</td><td>8 of 8</td></tr><tr><td>Walter Dutchak</td><td>5 of 8</td></tr><tr><td>Sarah Gauthier</td><td>6 of 8</td></tr><tr><td>Bill Missal</td><td>7 of 8</td></tr><tr><td>Deb Schmidt</td><td>6 of 8</td></tr></table>	Director	Meetings Attended*	Wayne Lorch (Chair)	8 of 8	Sandra Archibald (Vice Chair)	5 of 8	Jonathan Abrametz	8 of 8	John Breakey	8 of 8	Walter Dutchak	5 of 8	Sarah Gauthier	6 of 8	Bill Missal	7 of 8	Deb Schmidt	6 of 8		
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CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
<p>NI 58-101F1, section 1(f)</p> <p>1(f) Disclose whether the Chair of the Board is an independent director; disclose the identity of the Chair and describe the role of the Chair.</p>	<p>Wayne Lorch is the Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to the Board, respecting communications with the shareholder.</p> <p>The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise the powers assigned by the Board.</p> <p>The Chair's primary responsibilities are to:</p> <ul style="list-style-type: none"> • chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded; • work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas; • monitor meeting attendance and encourage full participation of directors at meetings; • maintain open channels of communications with directors between meetings; • champion the Corporate approach to governance; • provide leadership in Board organization, optimizing Board and committee structures and operations; • take a lead role in assessing and addressing any concerns related to the performance of the Board, its committees or individual members; • assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities; • work with Committee chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities; • act as an ex-officio member of all Board committees; • coach, support and assist the CEO and senior management; • monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and • work with the CEO to develop and maintain productive relationships and represent the Corporation. 	✓	

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CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No

Board Mandate

NP 58-201, section 3.4

The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:

- (a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;
- (b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;
- (c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;
- (d) succession planning (including appointing, training and monitoring senior management);
- (e) adopting a communication policy for the issuer;
- (f) the issuer's internal control and management information systems; and
- (g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.

The written mandate of the Board should also set out measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent directors), and expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.

The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance.

The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties.

- a. One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President and CEO, taking appropriate actions as warranted. The Governance and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among executive officers.
- b. The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures.
- c. A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board delegates this responsibility to the Audit and Finance Committee.
- d. The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee. The Committee reviews the plan on an annual basis and reports its findings to the Board.
- e. The Board adopts policies and processes to enable effective communication with the shareholder, stakeholders and the public.
- f. The Board monitors the integrity of the Corporation's internal control and management information systems.
- g. The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee.

STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared.

The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled Board meetings or has attended fewer than sixty percent of all meetings held in any year.

STC is not an issuer.

NI 58-101F1, section 2

Disclose the text of the Board's written mandate.

The Board's principal responsibilities are described in the NP 58-201, section 3.4. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
Position Descriptions			
NP 58-201, section 3.5		✓	
<p>The Board should develop clear position descriptions for the Chair of the Board and the chair of each Board Committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities.</p> <p>The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.</p>	<p><i>The Crown Corporations Act, 1993</i> subsection 23 (5) and CIC "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There are Terms of Reference for the Board and each Committee of the Board; however, the Board does not have a specific written position description for the Chair, the Chair of each Committee or the CEO.</p> <p>The Board's Terms of Reference sets out matters that require Board resolution and delegates other matters to management.</p> <p>The Board annually approves a strategic business plan and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.</p>		
NI 58-101F1, sections 3(a) and (b)		✓	
<p>3(a) Disclose whether the Board has developed written position descriptions for the chair of the Board and the Chair of each Board committee and, if not, describe how the Board delineates the role and responsibilities of each such position.</p> <p>3(b) Disclose whether the Board and CEO have developed a written position description for the CEO.</p>	<p>In addition to the Terms of Reference, which have been developed for the Board and Board Committees, a checklist of annual deliverables guide the Board's and Committees' planning and decision making, ensuring that all governance requirements are met.</p> <p>Through regular evaluations of performance, the Company can satisfy itself that all governance requirements for the Chair of the Board, Chair of Board Committees and CEO are met. Specific written position descriptions are being developed to further improve governance in this area.</p>		
Orientation and Continuing Education			
NP 58-201, section 3.6		✓	
<p>The Board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.</p>	<p>Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings.</p> <p>Directly following the appointment of new directors to the STC Board, a Board orientation session was held on March 4, 2008.</p>		
NP 58-201, section 3.7		✓	
<p>The Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.</p>	<p>CIC's Board Training Program covers all the Crown Corporations' education programs. All STC Board members have the opportunity to take part in various sessions of this training throughout the year.</p>		

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
Code of Business Conduct and Ethics			
NP 58-201, section 3.8			
<p>The Board should adopt a written code of business conduct and ethics (a Code). The Code should be applicable to directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:</p> <p>(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p> <p>(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p> <p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of any illegal or unethical behaviour.</p>	<p>Directors and officers must comply with <i>The Crown Corporations Act</i>, 1993 Part VI, which explicitly outlines duty of care, conflict of interest and indemnification.</p> <p>The Board must also comply with the <i>CIC's Directors' Code of Conduct</i>, which is applicable to all directors of its subsidiary Crown Boards. A copy of the Director's Code of Conduct can be obtained by contacting the Corporate Secretary to the Board. In 2008, an affirmation of fiduciary duty and responsibility to respect confidentiality was established by the Board and must be endorsed by each director annually.</p> <p>Officers and employees of the Corporation must comply with STC's Code of Conduct. Management reports on the compliance with the Corporations Code of Ethical Conduct to the Governance and Corporate Responsibility Committee at each of its regular meetings.</p>		✓
NP 58-201, section 3.9			
<p>The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's directors or executive officers should be granted by the Board (or a Board Committee) only.</p>	<p>The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the Director's Code of Conduct, report on compliance with the Code and provide advice to the Directors on conflicts of interest.</p>		✓
NI 58-101F1, section 5(a)			
<p>5(a) Disclose whether the Board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the Board monitors compliance with the Code and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.</p>	<p>A copy of <i>CIC's Directors' Code of Conduct</i> can be obtained by contacting the Corporate Secretary to the Board.</p> <p>The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operations; reviewing internal controls; participating in the audit processes; monitoring capital assets; reviewing and recommending on capital activities; and ensuring systems are in place to identify and manage risk. The Chair of the Audit and Finance Committee reports to the Board any such issues addressed by the Committee, and all directors receive summaries of risk management reports.</p> <p>The Governance and Corporate Responsibility Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: overseeing processes for evaluating the performance of the Board, Committees, Chair, directors and CEO and ensuring Board orientation and opportunity for professional development. The Chair of the Governance and Corporate Responsibility Committee reports to the Board any such issues addressed by the Committee.</p> <p>No waivers from the Code were granted to any directors in 2008. In 2008, the Governance and Corporate Responsibility Committee changed the frequency of officer and employee compliance with the Code reporting from once a year to a regular report at each of its meetings.</p>		✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
NI 58-101F1, section 5(b) 5(b) Describe steps that the Board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or is perceived to have, a personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting at which the matter is being considered. The CEO monitors agenda items to identify any issues where a director or officer may have a material interest and such items would not be distributed to the director.	✓	
NI 58-101F1, section 5(c) 5(c) Describe other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Governance and Corporate Responsibility Committee has been tasked with this undertaking to ensure that the Board is in full compliance with industry best practices in corporate governance.	✓	
Nominations of Directors			
NP 58-201, section 3.10 The Board should appoint a nominating committee composed entirely of independent directors.	The Governance and Corporate Responsibility Committee serves as the nominating committee and is comprised of all independent Board members.	✓	
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the Board identifies new candidates for Board nomination. 6(b) Disclose whether the Board has a nominating committee composed entirely of independent directors and, if not, describe the steps the Board takes to encourage an objective nomination process.	The Governance and Corporate Responsibility Committee (the nominating committee) is comprised of all independent board members. They review skills and composition of current directors annually and perform a needs and skills assessment when the need for a new member arises. The Committee identifies skill sets required on the Board and seeks input from directors for nominees. It then recommends to the Board those nominees that have the required competencies to fill any identified skill gap(s). Potential candidates are interviewed to determine a fit with the Board's needs. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments and all appointments are by Order In Council.	✓	
NP 58-201, section 3.11 The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees).	The Governance and Corporate Responsibility Committee's Terms of Reference establishes the Committee's role and responsibility to act as advisors to the Board regarding purpose and responsibilities that include the objectives to advise the Board regarding nominees for positions on the Board of Directors.	✓	
NI 58-101F1, sections 6(c) 6(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the committee.	The Governance and Corporate Responsibility Committee performs the function of the nominating committee and its Terms of Reference describes the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	✓	

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
NP 58-201, section 3.12	The Board's nomination process meets these guidelines.	✓	
<p>Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:</p> <p>(a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.</p> <p>(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.</p> <p>The Board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.</p>	<p>As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council.</p>		
NP 58-201, section 3.13	As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and puts forward, for consideration, qualified nominations to fill vacant positions.	✓	
NP 58-201, section 3.14	The process followed by the Governance and Corporate Responsibility Committee complies with that set out in these guidelines.	✓	
<p>In making its recommendations, the nominating committee should consider:</p> <p>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</p> <p>(b) the competencies and skills that the Board considers each existing director to possess; and</p> <p>(c) the competencies and skills each new nominee will bring to the boardroom.</p> <p>The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.</p>			
Compensation			
NP 58-201, section 3.15	The Board appoints a Compensation Sub-Committee comprised entirely of independent directors.	✓	
<p>The Board should appoint a compensation committee composed entirely of independent directors.</p>			

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No
<p>NI 58-101F1, sections 7(a) and (b)</p> <p>7(a) Describe the process by which the Board determines compensation for the directors and officers of the Corporation.</p> <p>7(b) Disclose whether the Board has a compensation committee composed entirely of independent directors and, if not, describe the steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>Board Compensation is paid in accordance with <i>The Crown Corporations Act</i>, 1993, subsection 9 and CIC's remuneration schedule. These documents outline the annual remuneration and rates of reimbursement for the expenses incurred by directors of subsidiary Crown Corporations. A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board.</p> <p>A framework for officer's compensation has been established by CIC. The Board has the authority to approve compensation and benefit packages within that framework.</p> <p>In 2008, officer compensation decisions were handled either directly by the Board or the Board's Compensation Sub-Committee. To ensure an objective process is in place for determining compensation, STC's Compensation Sub-Committee is comprised entirely of independent directors and includes the Board Chair and all other Board Committee Chairs.</p>	✓	
<p>NP 58-201, section 3.16</p> <p>The Compensation Committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.</p>	<p>The Board takes direct responsibility for compensation matters and by resolution appoints a Compensation Sub-Committee for the purpose of reviewing and recommending Executive short-term incentive measures and targets each year to the Board. All decisions are made within the policy framework set forth by CIC. The Committee's purpose, responsibilities and structure are recorded in the Corporate meeting minutes.</p> <p>If the Board deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.</p>		
<p>NI 58-101F1, section 7(c)</p> <p>7(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee.</p>	<p>By resolution of the Board, a Compensation Sub-Committee is appointed annually for the purpose of reviewing and recommending to the Board the Executive short-term incentive measures and targets. The Board approves compensation and determines the performance rating of the CEO to determine compensation and for any progression within the salary ranges established by CIC.</p>	✓	
<p>NP 58-201, section 3.17</p> <p>The Compensation Committee should be responsible for:</p> <p>(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;</p> <p>(b) making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and</p> <p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>a. The Board Chair and Board Committee Chairs conduct annual CEO performance evaluations. The Board annually sets and reviews corporate target objectives and the degree of success that the CEO has achieved in aligning with pre-determined targets. The results of the CEO evaluation are used to determine compensation. This CEO evaluation process was completed in 2008 through an annual short-term incentives process, but was not carried out for consideration of in-range movement.</p> <p>b. The Board annually sets and reviews corporate target objectives and the degree of success that the corporate officers have achieved in aligning with the pre-determined targets. Under the established Short-Term Incentive Program, all officers are eligible for compensation based on the degree of success in attaining these corporate performance objectives. Compensation approvals and decision making process are subject to guidelines, as provided by CIC. As a provincially owned Crown Corporation, STC does not have equity-based plans.</p> <p>c. CEO, officer and employee compensation disclosure occurs in the form of an annual payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under <i>The Crown Employment Contracts Act</i>, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.</p>	✓	

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices	Consistent with CSA guidelines	
		Yes	No

NI 58-101F1, section 7(d)

7(d) If a compensation consultant has been retained, at any time during the Corporation's most recently completed fiscal year, to assist in determining compensation for any of the Corporation's directors and officers, disclose the identity of the consultant and briefly summarize their mandate. If retained to perform any other work, state the fact and briefly describe the nature of the work.

In 2008, the Corporation did not retain a compensation consultant.

✓

Other Board Committees

NI 58-101F1, section 8

If the Board has standing Committees of the Board, other than audit, compensation and nominating Committees, identify the Committees and describe their function.

Committees of the Board include the Governance and Corporate Responsibility Committee and the Audit and Finance Committee. Their functions are described in previous sections. The Board does not have any other Committees.

✓

Board Assessments

NP 58-201, section 3.18

The Board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider (a) in the case of the Board or a Board Committee, its mandate or charter; and (b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the Board.

The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board.

All CIC subsidiary Crown Corporation Boards conduct performance evaluations on a two year cycle. Director peer, Committee Chair and Committee evaluations were conducted in 2007 and all CIC subsidiary Crown Boards completed performance evaluations of the Board and the Board Chair in 2008.

The Board and its Committees review their Terms of Reference every year. While the Board does not have a position description for directors, individual directors' skills and competencies are reviewed as part of a regular peer review.

✓

NI 58-101F1, section 9(a)

9(a) Disclose whether the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contributions and, if yes, describe the process used.

The evaluations are conducted using an instrument developed by CIC. Directors complete surveys, which allow them to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual Directors. The Governance and Corporate Responsibility Committee outlines evaluation results, which are submitted to the Board for review and approval. The Committee tracks implementation of any action items.

✓

Corporate Directory

Executive Officers

Ray Clayton
President and CEO

Shawn Grice
Chief Financial Officer

Phil Bohay
Senior Director, Customer Service and Operations

Brad Dewald
Director, Information Technology

Tracy Fahlman
Director, Strategic Planning and Communications

Lynn Jacobson
Director, Human Resources and Labour Relations

Senior Management Team

Carl Clark
Saskatoon, Manager of Maintenance

Allan Douglas
Regina, Manager of Tariffs and Scheduling

Patti Fry
Regina, Manager of Financial Services

Shelley Kosior
Regina, Manager of Risk and Compliance

Dean Madsen
Regina, Manager of Business Development and Operations (South)

Cheryl Matsalla
Regina, Senior Administrative Assistant

Harold Matthies
Saskatoon, Manager of Operations (North)

Brian Roulston
Regina, Manager of Network Services

Locations

Head Office & Regina Terminal
1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2

Saskatoon Terminal
50 – 23rd Street East
Saskatoon, Saskatchewan S7K 0H8

Prince Albert Terminal
99 – 15th Street East
Prince Albert, Saskatchewan S6V 1E9

Regina Maintenance Garage
920 – 9th Avenue
Regina, Saskatchewan S4T 7X3

Saskatoon Maintenance Garage
88 King Street
Saskatoon, Saskatchewan S7K 6T5

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